

**CITY OF LEBO, KANSAS**

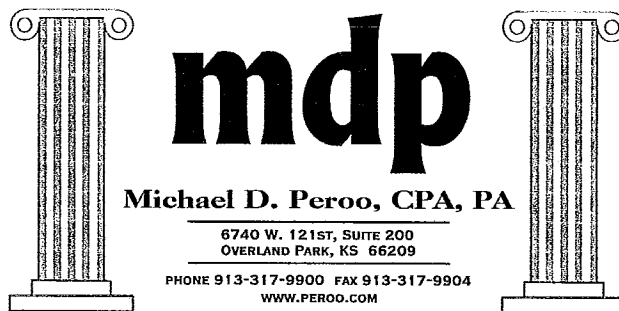
**Financial Statements for the  
Year Ended December 31, 2008  
And Independent Auditors' Report**

# CITY OF LEBO, KANSAS

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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council  
City of Lebo, Kansas

We were engaged to audit the accompanying financial statements of the City of Lebo, Kansas (City) as of December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The City has elected not to adopt the provisions of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

As described more fully in Note 1, the City prepares its financial statements on a basis of accounting prescribed by the Kansas Division of Accounts and Reports to demonstrate compliance with the cash basis laws of the State of Kansas, which basis differs from generally accepted accounting principles.

In our opinion, because of the effect of the matters discussed in the proceedings paragraphs, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the City of Lebo, Kansas, as of December 31, 2008, or the results of its operations for the year then ended.

The supplemental schedules for the year ended December 31, 2008, listed in the foregoing table of contents are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data. Such information, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

*Michael D. Peroo*, CPA, PA  
December 21, 2009

# CITY OF LEBO, KANSAS

## SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS YEAR ENDED DECEMBER 31, 2008

	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
General Fund	\$ 241,578	\$ 424,995	\$ 332,782	\$ 333,791
Special Revenue Funds:				
Economic Development Fund	46,939	34,714		81,653
Employee Benefit Fund	3,385	42,839	25,045	21,180
Law Enforcement Fund	37,915	4,905		42,820
Special Highway Fund	8,591	29,848	23,595	14,845
Special Liability Fund	927	4,216	3,623	1,520
Special Park and Recreation Fund	30,235	42,673	29,515	43,392
Capital Project Funds				
Capital Improvement Reserve	30,000			30,000
Municipal Equipment Reserve	30,000			30,000
Enterprise Funds				
Gas Fund	183,039	338,624	313,107	208,557
Water Fund	140,549	188,510	211,774	117,285
Sewer Fund	161,588	63,852	52,898	172,541
Solid Waste	15,844	50,580	45,524	20,899
Total Reporting Entity	\$ <u>930,590</u>	<u>1,225,755</u>	<u>1,037,863</u>	\$ <u>1,118,482</u>
Net Receipts and Disbursements		<u>1,225,755</u>	<u>1,037,863</u>	
COMPOSITION OF CASH:				
The State Bank of Lebo				\$ 3,547
The State Bank of Lebo-Savings				382,239
The State Bank of Lebo- Debit Card				2,416
Economic Development				85,746
Utility Deposit Savings				7,992
Farmers State Bank Certificates of Deposit				636,522
Cash Drawer				20
				\$ <u>1,118,482</u>

## CITY OF LEBO, KANSAS

### SUMMARY OF CASH DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2008

	<u>Cash</u> <u>Disbursements</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
General Fund	\$ 332,782	\$ 539,025	\$ 206,243
Special Revenue Funds:			
Law Enforcement Fund		8,766	
Employee Benefit Fund	25,045	45,000	19,955
Special Highway Fund	23,595	35,158	11,563
Special Liability Fund	3,623	6,100	2,477
Special Parks and Recreation Fund	29,515	77,700	48,185
Enterprise Funds:			
Water Fund	211,774	403,400	191,626
Sewer Fund	52,898	226,577	173,679
Gas Fund	313,107	429,173	116,066
Solid Waste Fund	45,524	73,086	27,562
Total Budgeted Funds	<u>1,037,863</u>	\$ <u>1,843,985</u>	\$ <u>797,356</u>
Non Budgeted Funds:			
Economic Development	<u>                    </u>		
Total Non Budgeted Funds	<u>                    </u>		
Total Cash Disbursements	\$ <u>1,037,863</u>		

**CITY OF LEBO, KANSAS**

**GENERAL FUND**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET  
YEAR ENDED DECEMBER 31, 2008**

	<b>2008 Actual</b>	<b>2008 Budget</b>	<b>Variance Favorable (Unfavorable)</b>
<b>CASH RECEIPTS:</b>			
County Taxes	\$ 137,921	\$ 122,231	15,690
Sales Tax	42,853		42,853
Motor Vehicle Tax	11,114	16,552	(5,438)
Intergovernmental Receipts	155,710	155,355	355
Franchise Tax	21,416	24,000	(2,584)
Licenses and Fees	2,736	4,900	(2,164)
Swimming Pool	12,669	11,000	1,669
Fines	1,889	3,500	(1,611)
Reimbursements and other	7,583	1,700	5,883
Interest on Idle Funds	31,103	25,000	6,103
Transfers		40,000	(40,000)
Total Cash Receipts	424,995	\$ 404,238	\$ 20,757
<b>CASH DISBURSEMENTS:</b>			
General Administration:			
Personnel Services	24,108	19,425	(4,683)
Contractual Services	13,271	18,000	4,729
Commodities	8,956	6,500	(2,456)
Miscellaneous	7,605	7,000	605
Capital Outlay		10,000	10,000
	53,940	60,925	8,195
Law Enforcement			
Personnel Services	33,414	85,000	51,586
Contractual Services	17,314	10,000	(7,314)
Commodities	15,406	9,500	(5,906)
Capital Outlay	1,353	2,000	647
	67,487	106,500	39,013
Street Lights			
Contractual Services	10,578	10,500	(78)
Streets			
Personnel Services	18,887	20,500	1,614
Contractual Services	88,369		(88,369)
Commodities	32,391	6,000	(26,391)
Capital Outlay	139,646	26,500	(113,146)
Parks and Recreation			
Personnel Services		1,000	1,000
Contractual Services	15,389	7,200	(8,189)
Commodities	4,009	4,400	391
Commodities- Other	3,836	18,000	14,164
	23,233	30,600	7,367
Infrastructure	11,061	278,000	266,939
	11,061	278,000	266,939
Swimming Pool			
Personnel Service	16,340	16,000	(340)
Contractual Service	1,818	3,000	1,182
Commodities	5,801	5,000	(801)
Commodities-concessions	2,682		(2,682)
Sales Tax	194		(194)
Capital Outlay		2,000	2,000
	26,836	26,000	(836)
Total Cash Disbursements	332,782	\$ 539,025	\$ 207,453
Receipts over Disbursements	92,213		
<b>CASH, BEGINNING BALANCE</b>	<u>241,578</u>		
<b>CASH, ENDING BALANCE</b>	\$ <u>333,791</u>		

# **CITY OF LEBO, KANSAS**

## **ECONOMIC DEVELOPMENT FUND**

### **STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDED DECEMBER 31, 2008**

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#### **CASH RECEIPTS:**

Loan Payments	\$	24,038
Interest Payments		<u>10,675</u>
Total Cash Receipts		34,714

#### **CASH DISBURSEMENTS:**

Total Cash Disbursements	\$	<u>                    </u>
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Receipts over Disbursements		<u>34,714</u>
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<b>CASH, BEGINNING BALANCE</b>		46,939
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<b>CASH, ENDING BALANCE</b>	\$	<u><u>81,653</u></u>
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**CITY OF LEBO, KANSAS****LAW ENFORCEMENT FUND****STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET****YEAR ENDED DECEMBER 31, 2008**

	<b>2008 Actual</b>	<b>2008 Budget</b>	<b>Variance Favorable (Unfavorable)</b>
<b>CASH RECEIPTS:</b>			
County Tax	\$ 4,905	\$ 4,644	\$ 261
Total Cash Receipts	4,905	\$ 4,644	\$ 261
<b>CASH DISBURSEMENTS:</b>			
	\$	\$ 8,776	\$ 8,776
Total Cash Disbursements		\$ 8,776	\$ 8,776
Receipts over Disbursements	4,905		
<b>CASH, BEGINNING BALANCE</b>	<u>37,915</u>		
<b>CASH, ENDING BALANCE</b>	\$ <u>42,820</u>		



# CITY OF LEBO, KANSAS

## EMPLOYEE BENEFIT FUND

### STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2008

	<u>2008 Actual</u>	<u>2008 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>CASH RECEIPTS:</b>			
State Tax	\$ <u>42,839</u>	\$ <u>42,352</u>	\$ <u>487</u>
Total Cash Receipts	42,839	\$ <u>42,352</u>	\$ <u>487</u>
<b>CASH DISBURSEMENTS:</b>			
Employee Benefit	\$ <u>25,045</u>	\$ <u>45,000</u>	\$ 19,955
Total Cash Disbursements	25,045	\$ <u>45,000</u>	\$ <u>19,955</u>
Receipts over Disbursements	17,795		
<b>CASH, BEGINNING BALANCE</b>	<u>3,385</u>		
<b>CASH, ENDING BALANCE</b>	\$ <u>21,180</u>		

**CITY OF LEBO, KANSAS**

**SPECIAL HIGHWAY FUND**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET  
YEAR ENDED DECEMBER 31, 2008**

	<b>2008 Actual</b>	<b>2008 Budget</b>	<b>Variance Favorable (Unfavorable)</b>
<b>CASH RECEIPTS:</b>			
State Tax	\$ 29,848	\$ 28,740	\$ 1,108
Total Cash Receipts	29,848	<u>28,740</u>	<u>1,108</u>
<b>CASH DISBURSEMENTS:</b>			
Personnel Services	\$ 12,496	\$ 20,000	\$ 7,504
Contract Expense	848	3,000	2,153
Commodities	<u>10,252</u>	<u>12,158</u>	<u>1,906</u>
Total Cash Disbursements	<u>23,595</u>	<u>35,158</u>	<u>11,563</u>
Receipts over Disbursements	6,254		
<b>CASH, BEGINNING BALANCE</b>	<u>8,591</u>		
<b>CASH, ENDING BALANCE</b>	<u>\$ 14,845</u>		

## CITY OF LEBO, KANSAS

### SPECIAL LIABILITY FUND

#### STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2008

	<u>2008 Actual</u>	<u>2008 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>CASH RECEIPTS:</b>			
County Tax	\$ <u>4,216</u>	\$ <u>323</u>	\$ 3,893
Total Cash Receipts	4,216	\$ <u><u>323</u></u>	\$ <u><u>3,893</u></u>
<b>CASH DISBURSEMENTS:</b>			
Contractual Services	<u>3,623</u>	<u>6,100</u>	2,477
Total Cash Disbursements	<u>3,623</u>	\$ <u><u>6,100</u></u>	\$ <u><u>2,478</u></u>
Receipts Over Disbursements	593		
<b>CASH, BEGINNING BALANCE</b>	<u>927</u>		
<b>CASH, ENDING BALANCE</b>	\$ <u><u>1,520</u></u>		

**CITY OF LEBO, KANSAS****PARK AND RECREATION FUND****STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET  
YEAR ENDED DECEMBER 31, 2008**

	<b>2008 Actual</b>	<b>2008 Budget</b>	<b>Variance Favorable (Unfavorable)</b>
<b>CASH RECEIPTS:</b>			
County Tax	\$ 37,868	\$ 38,222	\$ (355)
Miscellaneous	<u>4,805</u>	<u>7,451</u>	<u>(2,646)</u>
Total Cash Receipts	42,673	\$ <u><u>45,673</u></u>	\$ <u><u>(3,001)</u></u>
<b>CASH DISBURSEMENTS:</b>			
Personal Cost	\$ 2,256	9,000	\$ 6,744
Contractual Service	12,351	20,000	7,649
Commodities	8,437	10,000	1,563
Capital Outlay	<u>6,471</u>	<u>38,700</u>	<u>32,229</u>
Total Cash Disbursements	<u>29,515</u>	\$ <u><u>77,700</u></u>	\$ <u><u>32,229</u></u>
Receipts over Disbursements	13,157		
<b>CASH, BEGINNING BALANCE</b>	<u>30,235</u>		
<b>CASH, ENDING BALANCE</b>	\$ <u><u>43,392</u></u>		

**CITY OF LEBO, KANSAS**

**CAPITAL IMPROVEMENT RESERVE FUND**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL  
YEAR ENDED DECEMBER 31, 2008**

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**CASH RECEIPTS:**

	\$	_____
Total Cash Receipts		

**CASH DISBURSEMENTS:**

Total Cash Disbursements	\$	_____
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Receipts over Disbursements		_____
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<b>CASH, BEGINNING BALANCE</b>		30,000
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<b>CASH, ENDING BALANCE</b>	\$	<u>30,000</u>
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**CITY OF LEBO, KANSAS**

**MUNICIPAL EQUIPMENT RESERVE FUND**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL  
YEAR ENDED DECEMBER 31, 2008**

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**CASH RECEIPTS:**

	\$	_____
Total Cash Receipts		

**CASH DISBURSEMENTS:**

Total Cash Disbursements	\$	_____
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Receipts over Disbursements		_____
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<b>CASH, BEGINNING BALANCE</b>		30,000
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<b>CASH, ENDING BALANCE</b>	\$	<u>30,000</u>
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**CITY OF LEBO, KANSAS****GAS FUND****STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET  
YEAR ENDED DECEMBER 31, 2008**

	<b>2008 Actual</b>	<b>2008 Budget</b>	<b>Variance Favorable (Unfavorable)</b>
<b>CASH RECEIPTS:</b>			
Sales - Customers	\$ 336,272	\$ 300,000	\$ 36,272
Sales Tax	<u>2,352</u>	<u>2,000</u>	<u>352</u>
Total Cash Receipts	338,624	<u>\$ 302,000</u>	<u>\$ 36,272</u>
<b>CASH DISBURSEMENTS:</b>			
Personnel Services	39,215	\$ 45,000	\$ 5,785
Contractual Services	260,799	250,000	(10,799)
Commodities	10,575	8,000	(2,575)
Stored Gas Property Tax	95		(95)
Sales Tax and Other	2,423	3,000	577
Transfer		20,000	20,000
Capital Outlay	<u></u>	<u>103,173</u>	<u>103,173</u>
Total Cash Disbursements	<u>313,107</u>	<u>\$ 429,173</u>	<u>\$ 116,067</u>
Receipts Over Disbursements	25,518		
<b>CASH, BEGINNING BALANCE</b>	<u>183,039</u>		
<b>CASH, ENDING BALANCE</b>	<u>\$ 208,557</u>		

# CITY OF LEBO, KANSAS

## WATER FUND

### STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2008

	2008 Actual	2008 Budget	Variance Favorable (Unfavorable)
<b>CASH RECEIPTS:</b>			
Water Sales - Customer	\$ 187,867	\$ 235,000	\$ (47,133)
Sales tax	642	1,000	(358)
Reimbursed Expenses		1,000	(1,000)
Interest on Idle Funds		9	(9)
	<u>188,510</u>	<u>237,009</u>	<u>(48,499)</u>
Total Cash Receipts	188,510	\$ 237,009	\$ (48,499)
<b>CASH DISBURSEMENTS:</b>			
Personnel	39,856	45,000	5,144
Contractual Services	118,953	121,000	2,047
Commodities	8,599	6,000	(2,599)
Debt Service	41,350	41,350	
Other	3,016	4,000	984
Capital Outlay		166,050	166,050
Transfer Out		20,000	20,000
	<u>211,774</u>	<u>403,400</u>	<u>191,626</u>
Total Cash Disbursements	211,774	\$ 403,400	\$ 191,626
Receipts under Disbursements	(23,264)		
<b>CASH, BEGINNING BALANCE</b>	<u>140,549</u>		
<b>CASH, ENDING BALANCE</b>	\$ <u>117,285</u>		



**CITY OF LEBO, KANSAS****SEWER FUND****STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET****YEAR ENDED DECEMBER 31, 2008**

	<b>2008 Actual</b>	<b>2008 Budget</b>	<b>Variance Favorable (Unfavorable)</b>
<b>CASH RECEIPTS:</b>			
Sales - Customers	\$ 62,896	\$ 70,000	\$ (7,104)
Total Cash Receipts	63,852	<u>70,000</u>	<u>(7,104)</u>
<b>CASH DISBURSEMENTS:</b>			
Personnel Services	8,195	\$ 10,000	\$ 1,805
Contractual Services	1,528	4,000	2,472
Commodities	11,778	15,000	3,222
Capital Outlay		166,179	166,179
Debt Service	<u>31,397</u>	<u>31,398</u>	<u>1</u>
Total Cash Disbursements	<u>52,898</u>	<u>\$ 226,577</u>	<u>\$ 173,680</u>
Receipts Over Disbursements	10,953		
<b>CASH, BEGINNING BALANCE</b>	<u>161,588</u>		
<b>CASH, ENDING BALANCE</b>	<u>\$ 172,541</u>		

# CITY OF LEBO, KANSAS

## SOLID WASTE FUND

### STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2008

	<u>2008 Actual</u>	<u>2008 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>CASH RECEIPTS:</b>			
Sales - Customers	\$ <u>50,580</u>	\$ <u>55,000</u>	\$ (4,420)
Total Cash Receipts	50,580	\$ <u><u>55,000</u></u>	\$ <u><u>(4,420)</u></u>
<b>CASH DISBURSEMENTS:</b>			
Contractual Services	<u>45,524</u>	<u>73,086</u>	27,562
Total Cash Disbursements	<u>45,524</u>	\$ <u><u>73,086</u></u>	\$ <u><u>27,563</u></u>
Receipts Over Disbursements	5,055		
<b>CASH, BEGINNING BALANCE</b>	<u>15,844</u>		
<b>CASH, ENDING BALANCE</b>	\$ <u><u>20,899</u></u>		

# CITY OF LEBO, KANSAS

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2008

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of Presentation - Fund Accounting - The accounts of the City of Lebo, Kansas are organized on the basis of funds, each of which is considered a separate accounting entity.

The following types of funds comprise the financial activities of the City for 2008.

Governmental funds:

General fund - to account for all unrestricted resources except those required to be accounted for in other funds or account groups.

Special revenue funds - to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation.

Debt service funds - to account for the payment of interest and principal on long-term general debt obligation.

Proprietary funds:

Enterprise funds - to account for operations that are financed and operated in a manner similar to business enterprises, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

- b. Basis of Accounting - These financial statements are presented on a basis of accounting, which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The municipality has obtained a GAAP waiver from the State of Kansas, which requires this type of special reporting.

- c. Departure from Generally Accepted Accounting Principles - The basis of accounting described above results in a financial statement presentation that shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets, such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance, are not presented. Under generally accepted accounting principles, encumbrances are only recognized as

a reservation of fund balance; encumbrances outstanding at year-end did not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

- d. Budgetary Information - Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended December 31, 2008.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the cash basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds.

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

- e. Comparative Amounts - The amounts shown for the year ended December 31, 2007 in the accompanying financial statements are included to provide a basis for comparison with 2008 and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

## 2. DEPOSITS

At December 31, 2008, the carrying amounts of the City's deposits were \$382,238 and the bank balances were \$380,336. The differences between the carrying amount and the bank balances are outstanding checks and deposits in transit. The bank balance is covered by FDIC insurance and collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name.

## 3. TAXES

**Property Taxes** – The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the following year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One-half of the property taxes is due December 20, prior to the fiscal year for which they are budgeted, and second half is due the following May 10.

**Motor Vehicle Taxes** – Since 1981 most motor vehicles became subject to a special tax paid at the time of registration instead of the traditional property tax. In 1995, the legislature enacted a five-year phase down in the assessment rate on motor vehicles for 30% to 20% of market value.

In 2008, the City received the following from county and state taxes:

	General Fund	Special Highway Fund	Employee Benefit Fund	Totals
Property Taxes	\$ 188,355	\$	\$ 34,365	\$ 222,720
Motor Vehicle Taxes	13,596		8,475	22,071
Park & Recreation	37,868			37,868
Alcohol	277			277
Infrastructure	155,710			155,710
Sales Taxes	42,576			42,576
State Highway Aid		27,034		27,034
	<u>\$ 438,382</u>	<u>\$ 27,034</u>	<u>\$ 42,840</u>	<u>\$ 508,256</u>

The mill levys for 2008 are as follows:

	<b>2008</b>
General Fund	<u>39.607</u>

The assessed valuation for 2008 was \$4,586,457.

#### 4. UTILITIES

The City provides water, sewer, gas and trash services. The City mails their utility bills between the 23<sup>rd</sup> and the 25<sup>th</sup> of each month. The utility bills are due by the 1st of the following month. Bills not paid by the 10th are subject to a late charge fee of 10%. If service is disconnected the customer shall pay said bill and penalty and further service charge in the sum of \$50 before turning the water back on.

The water rates for 2008 are as follows:

***Inside City:***

0-1,000 gallons	\$ 12.00
All above 1,000 gallons	\$ 7.50 per 1,000 gallons
Minimum bill	\$ 12.00

***Outside City:***

0-1,000 gallons	\$ 22.50
All above 1,000 gallons	\$ 7.75 per 1,000 gallons
Minimum bill	\$ 22.50

***Wholesale***

0-1,000 gallons	\$ 32.50
All above 1,000 gallons	Set by the City of Lebo

Any person making application for water service is required to make a deposit of \$40.

The sewer rates for 2008 are as follows:

\$12 for the first 1,000 gallons and \$.20 for each 1,000 gallons.

The trash rates for 2008 are as follows:

\$12 per month for residential solid waste removal.

The gas rates for 2008 are as follows:

\$4.20 per 1000 cubic feet over the cost of gas per 1,000 MMBTU and the transportation charges per month.

Any person making application for water service is required to make a deposit of \$150.

## 5. LONG-TERM DEBT

The City's long-term debt is comprised of General Obligation Bonds, Series 2003 and the Kansas Water Pollution Control Revolving Fund.

### General Obligation Revenue Bonds

General Obligation Revenue Bonds, Series 2003 issued in the amount of \$340,000 (\$155,000 outstanding at December 31, 2008) are to be retired in the year 2011. Principal payments will be paid annually on April 1, ranging from \$40,000 to \$25,000 and semi-annual interest will be payable on April 1 and October 1. Interest rates range from 2.80% to 3.90%.

Changes in Sewer Utility System Revenue Bonds, Series 1996:

Beginning Balance	\$ 190,000
Payments	<u>35,000</u>
Ending Balance	\$ <u><u>155,000</u></u>
Interest Payments	\$ <u><u>6,350</u></u>
Total Payments	\$ <u><u>41,350</u></u>

Payments subsequent to 2008:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 35,000	\$ 5,370	\$ 40,370
2010	40,000	7,260	47,260
2011	40,000	3,000	43,000
2012	<u>40,000</u>	<u>1,560</u>	<u>41,560</u>
	<u>\$ 155,000</u>	<u>\$ 17,191</u>	<u>\$ 172,191</u>

Kansas Water Pollution Control Revolving Fund

In July 2005, the City entered into a 20-year loan agreement with Kansas Department of Health and Environment for the construction of a sewer main extension. The total cost of the project was \$467,079.

The amount of the loan is up to \$467,079 (\$404,393 outstanding at December 31, 2008) bearing interest at a rate of 2.81%, principal and interest payments of \$15,694 made on a semi-annual basis beginning one year after the completion of the project.

Changes in Kansas Water Pollution Control Revolving Fund:

Beginning Balance	\$ 422,988
Payments	<u>18,595</u>
Ending Balance	<u>\$ 404,393</u>
Interest Payments	<u>\$ 11,756</u>
Total Payments	<u>\$ 30,351</u>



Payments subsequent to 2008:

	Principal	Interest	Total
2009	\$ 19,169	\$ 12,229	\$ 31,397
2010	19,760	11,638	31,397
2011	20,369	11,029	31,397
2012	20,997	10,401	31,397
2013	21,644	9,753	31,397
2014	22,312	9,086	31,397
2015	23,000	8,398	31,397
2016	23,709	7,689	31,397
2017	24,440	6,958	31,397
2018	25,193	6,204	31,397
2019	25,970	5,427	31,397
2020	26,771	4,626	31,397
2021	27,597	3,801	31,397
2022	28,447	2,950	31,397
2023	29,325	2,073	31,397
2024	30,229	1,169	31,397
2025	<u>15,462</u>	<u>19</u>	<u></u>
	\$ <u>404,393</u>	\$ <u>113,448</u>	\$ <u>502,359</u>

## 6. LEASES

On December 19, 2006, the City entered into a lease agreement for the purchase of a Sharp AR-M237 copy machine in the amount of \$4,531. The City will make 36 monthly payments of \$134.

Changes in the lease:

Beginning Balance	\$ 3,020
Payments	<u>1,608</u>
Ending Balance	\$ <u><u>1,412</u></u>

## 7. CONTRACTS

In 1994, the City entered into a 40-year agreement with Public Wholesale District No. 12, (District) to buy a minimum amount of 3,000,000 gallons per month. The City is to pay the District \$ 3.42 per 1,000 gallons purchased. Starting January 2006, rate per 1,000 increased from \$3.45. In December 2007 there was another amendment to the contract between the City of Lebo and Coffey County RWD #3, the City of Lebo annexed customers of the City that are within the District's territory. In 2008, the City purchased 2,522,600 gallons from the Public Wholesale District.

In February 2004 the City entered in a contract with Waste Management to collect and dispose of solid waste inside the corporate City limits. In 2008 the Contract was adjust and the rate increased to \$11.64 per residential customer.

The City has contracted with Utility Service Co, Inc. to provide maintenance on the 100,000 and 50,000 gallons water towers. The City pays \$2,700 on an annual basis.

## 8. COMPENSATED ABSENCES FOR EMPLOYEES

Full time employees of the City will be eligible for vacation and sick leave after six months of service. Eligible employees shall take at least 6 vacation days each year. An employee may carry-over vacation days to he next year, with a maximum carry-over amount allowance of 30 days.

<u>Years of Service</u>	<u>Per year</u>
0-9 years	1 day per month
10-19 years	1 ½ day per month
After 19	2 days per month

Full time employees will receive a maximum of 2 weeks (10 working days) paid sick leave per year. Sick leave is cumulative up to a maximum of 480 hours. On termination an employee will receive one sixth (1/6) a maximum of 80 hours accrued sick leave paid.

## 9. CONCENTRATIONS OF CREDIT RISK

The City is engaged in the sale of water, sewer, gas and trash to customers located in Coffey County in Kansas. The City grants credit to those customers and requires no collateral.

## 10. CAPITAL PROJECTS

The City spent the following on capital items in 2008

Street project	\$ <u>91,820</u>
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## 11. COMPLIANCE WITH KANSAS LAW

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the City. There were no apparent statutory violations during the year ended December 31, 2008 for the funds that were part of this audit.

## 12. RELATED PARTY

The City has no related party transactions that they are aware of.

## 13. PENSION PLAN

The City has five employees that participate in the Kansas Public Employees Retirement System (System), a multiple employer public employee retirement system. The payroll for the employees covered by the System for 2008 was \$154,487 and the City's total payroll for 2008 was \$185,312.

Covered employees are required by state statute to contribute 4% of their salary to the System. The City is required by statute to contribute 4.93% for 2008 using the full funding method. The contribution requirement for the year ended December 31, 2008, was \$15,307, which consisted of \$6,166 from the employee and \$9,141 from the City.

## 14. INFRASTRUCTURE

The City has elected not to comply with Governmental Accounting Standard No. 34 (GASB 34) regarding the capitalization and tracking of infrastructure or capital assets.

15. RISK MANAGEMENT

The City is exposed to various risks of loss to torts, theft of, damage to, and destruction of assets, job-related injuries and illnesses to employees. To insure against the various risks, the City has obtained various insurance coverage through EMC Insurance Companies. See Schedule of Insurance for details.

16. COMMITMENTS AND CONTINGENCIES

The City is not involved in any litigation.

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## **CITY OF LEBO, KANSAS**

### **SCHEDULE OF SELECTED UTILITY STATISTICS YEAR ENDED DECEMBER 31, 2008**

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#### **WATER STATISTICS:**

Number of customers	464
Gallons sold	22,367,400
Gallons purchased	25,226,000
Water loss percentage	11%
Average monthly usage per customer	4,017
Charges for service	\$ 187,867
Average customer charge per month	\$ 33.74

## City of Lebo

### **SCHEDULE OF OTHER STATISTICS YEAR ENDED DECEMBER 31, 2008**

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Population		931
Assessed Valuation	\$	4,586,457
Mill Levy		40
Total Receipts	\$	1,225,755
Total Disbursements	\$	1,037,863
Bond Indebtedness	\$	559,395
Receipts per Capita	\$	1,317
<b>Disbursements per Capita</b>	<b>\$</b>	<b>1,115</b>
Bond Indebtedness per Capita	\$	1,462